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SUBJECT: SPP: Can-Am Business Council shares views on next steps for the Security and Prosperity Partnership of North America

Ref: (A)Ottawa 1104 (SPP Scene Setter)

(B)Toronto 414 (Schwartz Report)

1. Summary: Members of the Canadian-American Business Council (CABC), a Washington DC based industry advocacy group, outlined for the Charg their principal concerns that they think need to be addressed by the SPP. The CABC

underscored the pressing need to quickly build appropriate infrastructure in southwestern Ontario at New York and Michigan crossings and suggested creation of a joint Canada-U.S. body to force rapid action. The CABC members also noted that southbound cross-border infrastructure barriers are exacerbated by too few inspectors at the border and proliferating security policies and procedures compounded by lack of communication between border agency components. They argued that these should be addressed under the Security rubric of the SPP. In contrast, they noted that northbound cross-border barriers do not manifest themselves at the port of entry but rather are market-wide and stem from regulatory mismatches that force business to duplicate health and safety tests or graft a layer of seemingly unnecessary requirements onto the marketplace; these should be dealt with by a mechanism under the Prosperity rubric. The Charg emphasized the need to have industry CEO's

champion SPP initiatives in Ottawa and Washington DC. End summary.

2. On April 12 the President of the CABC, Shauneen Bruder (also a Vice President at Royal Bank of Canada) and David Scott, Senior Partner of the law firm Borden, Ladner, Gervais hosted Charg Dickson and FAS, FCS, DHS and ECON section chiefs at a luncheon meeting to discuss the SPP. Other CABC members present included: Kelly Johnston VP of Campbell's Soup (based in NJ), Hugh Porteous VP of Alcan (based in Ottawa), Emile Lindsay VP of EDS Canada (based in Ottawa), Scotty Greenwood, Executive Director of the CABC (based in Washington DC) and Lynda Watson, Minister-Counselor Commercial Affairs at the Canadian Embassy in Washington DC.

3. The CABC is a fairly young advocacy group headquartered at DC-based law firm McKenna, Long & Aldridge and until now principally has served as a voice to raise the profile of Canadian business among DC policy-makers. CABC members are attempting to expand their role to act as an advocate for

cross-border businesses both in Ottawa and DC and see their contribution to the SPP effort as moving them in that direction. Indeed, after the luncheon with Mission staff the CABC delegation was scheduled to meet with senior staff from the offices of Transport Minister Lapierre and Trade Minister Peterson.

4. When asked by the Charg to identify concrete action that CABC would like the GoC to take Bruder, Johnston and Greenwood all underscored the point that the border crossing infrastructure is inadequate to meet the demands placed on it and that the GoC could address those shortcomings by acting on the so-called Schwartz report commissioned by the city of Windsor (Ref B). Bruder and her delegation expected to voice their support for the Schwartz report recommendations during their meeting with Minister Lapierre's staff. Greenwood also briefly noted a CABC draft policy paper whose principal recommendation to the two governments is to create an international body (she likened

it to the International Joint Commission), that could overcome NIMBYism and force concrete action by state,

provincial and local stakeholders (although various stakeholders have cautioned CABC that this particular approach is far too ambitious.)

15. Johnston of Cambell's Soup Company argued cogently that the infrastructure shortcomings are exacerbated by lack of U.S. inspection personnel at key crossings. In particular Johnston noted that: there are too few USDA inspection staff available at crossings into NY and MI from ON, which leads to long wait times at ports of entry for their trucks with frozen soup concentrate; and also that different policies and procedures employed by CBP and USDA lead to confusion (he gave the example of CBP not re-sealing inspected containers whereas USDA does).

16. With respect to FAST and CT-PAT programs intended to speed commerce across the border, Johnston, Greenwood and Bruder said that many participants have begun to question the value of their participation as DHS presses them to extend control even further back up their supply chains. Despite considerable investment in CT-PAT, they find that congestion at the border still leaves their trucks sitting in queues, largely due to infrastructure limitations (for example, no dedicated approach lanes well before the port of entry) but further compounded by, according to them, rapidly changing policy and procedure by U.S. inspection personnel in the field. We were told that Daimler-Chrysler and CABC made this complaint to senior DHS and NSC staff at a meeting the week prior.

17. The CABC members suggested that infrastructure and inspection solutions must be found by thinking "outside the box"; and praised innovative ideas like having private companies pay for infrastructure improvements as has happened in a few instances on the southern border. Johnston of Campbell's Soup expressed interest in paying to have U.S. border inspection personnel perform inspections at their plants.

18. With respect to barriers to northbound commerce, the CABC group indicated that Canadian port of entry delays are much less of a factor than the various technical barriers encountered in the Canadian market, principally due to regulatory mismatches with the United States. They trotted out the familiar cases of different food fortification standards in the two countries and restrictions on the size of baby-food containers (soup cans apparently face similar restrictions). They are heartened by the SPP emphasis on reducing these barriers but did not advocate a specific course of action.

19. More strategically, the CABC group noted that with respect to the Prosperity Agenda that they are interested in: ensuring harmonization of IPR regimes in the two countries and ensuring that research and development across North America be exploited most effectively to ensure North America's competitiveness vis--vis the EU and Asia. Again,

it appears it is too early for them to offer a specific and detailed course of action.

110. Comment: CABC like many other groups we have heard from are first of all encouraged that there is a process underway to take into account their views on those items which require fixing for those engaged in cross-border business. They also have a checklist of items that we are hearing from other groups - build new infrastructure, consolidate processes and facilities, address shortages of staffing. End comment

Dickson